

International privatisation

learning lessons from the Asia Pacific

Privatisation is so widespread internationally that it is a global phenomenon. The international body of public sector trade unions, the Public Services International (PSI), has been monitoring the forms and effects of privatisation in the Asia Pacific to provide a basis for union strategies. The Asia Pacific monitoring has covered electricity and water utilities, health care services and local government.

There is a wide diversity of economies in this region which includes:

- ☐ some of the poorest countries in the world, such as Pakistan;
- ☐ highly developed countries like Japan and Australia;
- ☐ the 'tiger' economies of south east Asia (including Korea, Malaysia, and Thailand).

These countries' governments have embraced privatisation with varying degrees of enthusiasm depending on:

- ☐ their level of development;
- ☐ the degree to which they have adopted neo-liberalism or had these imposed on them by the international funding agencies such as the International Monetary Fund (IMF).

What privatisation looks like

A range of forms of privatisation are being used in the Asia Pacific, including:

- ☐ commercialisation: making publicly owned facilities or agencies operate on

Mick Paddon identifies how unions in the Asia Pacific have fought privatisation using political, industrial and legal strategies.

commercial lines modelled on those of the private sector;

- ☐ selling existing facilities or assets;
- ☐ contracting out whole facilities, or more commonly, specific activities such as maintenance, cleaning or catering;
- ☐ de-regulation to allow greater access for the private sector;
- ☐ an increase in private funding of investment and development of 'joint ventures'.

In some cases unions have managed to secure agreements with governments and/or the new employer to transfer workers and their existing employment conditions into the privatised company. However, privatisation has usually resulted in:

- ☐ cuts in staffing levels and overall employment;
- ☐ casualisation and in health services de-professionalisation;
- ☐ cuts in wages and conditions of employment where contracting out takes place. (In many cases, women workers are most affected.)

Where trade unions are allowed to organise public sector workers (which have not historically been allowed in such countries as Korea), union organisation is often stronger and more developed in public utilities and enterprises.

Privatisation becomes indirectly and in some cases directly and explicitly, an attack on trade union organisation.

All the significant privatisations have involved transnational corporations (TNCs) acquiring or taking over contracts for public facilities. The major actors in water privatisations have been the two French TNCs which dominate the water industry - Vivendi and Lyonnaise des Eaux - and the British-based companies which grew out of the privatisation of water in Britain in the 1980s, including Thames Water and United Utilities.

In electricity, six European-based and five US-based companies are involved in three or more privatisation projects in the region. Where local firms are involved it has been as junior partners in a consortium dominated by one or more of the TNCs. For example, this happened in the case with water privatisations in Adelaide, South Australia and in Manila, the Philippines. A number of US-based health care providers are also seeking investment opportunities in the health care systems of the Asia Pacific Region.

Where hospitals and health centres have contracted out clinical services (such as X-ray), or support services (such as cleaning) or the management of entire facilities, several TNCs, including the French-based company Sodexo and subsidiaries of the UK group P&O, have taken the opportunity to gain contracts.

Developing union strategies

Unions in Asia and the Pacific have developed a range and combination of strategies in responding to privatisation.

The initial focus of all strategies is to prevent privatisation from taking place or, at least, to slow down its progress. Where this has been impossible, the main concerns have been to:

- ☐ influence the terms on which it takes place;
- ☐ provide some protection to workers whose jobs are affected. (This is done through employment guarantees and maintaining existing conditions of employment.)

Unions have also found it important to try to influence and exert a role in the forms of regulation which often follow privatisation.

For the longer term, union strategies have focused on influencing the way privatisation is viewed politically and in the wider community. This has been done by providing a more comprehensive understanding of how it affects employment, services and overall social and economic well being. Unions internationally have devised and combined

- ☐ political strategies,
- ☐ industrial strategies,
- ☐ legal strategies,
- ☐ alternatives to privatisation.

Political strategies

Privatisation is always a political decision. Campaigns against privatisation are therefore always political campaigns requiring political strategies from unions. We have Australian examples from the past three where union-based political campaigns have:

- ☐ successfully resisted and slowed privatisation; or
- ☐ contributed to a change in government which has reversed a major state privatisation programme.

Electricity case study

In 1998, after a year-long campaign, the main



Hospitals and health centres contract out clinical and support services

electricity unions successfully opposed a proposal by the New South Wales Labour government (one of the states in Australia) to privatise the state's electricity industry. The Labour government argued that selling off the power stations, transmission system and energy distributors in one go would enable it to:

- ☐ repay all the state's debt;
- ☐ leave a substantial fund from which it could pay for its social, health, education and other policies.

The union campaign questioned the arithmetic on which these claims were based. It:

- ☐ argued that there would be a longer-term financial loss because the state-owned industry provides a stream of income;
- ☐ pointed to the additional loss of jobs which would follow privatisation;
- ☐ used international evidence to prove that energy prices could rise for many users;
- ☐ used international evidence to prove that services, particularly in more remote areas, could become less reliable.

The community wide campaign was built on an alliance between the unions in the

industry, the major union federation in the state, and community groups. This alliance successfully defeated the Labour government's proposal at a State Labour Party conference and committed the government to retaining a publicly owned electricity industry. The government went to a state election in 1998 with this programme. It was a major contributor to the overwhelmingly defeat of the opposition parties which argued for privatisation.

Telecommunications case study

Political campaigns have not managed to prevent the creeping sale of Australia's national telecommunications company Telstra. But they have slowed its progress and may have prevented the sale going beyond 49% of the company. De-regulation of Australia's telecommunications industry has been underway since the late 1980s. When the conservative coalition parties were elected to government in the 1996 federal election, their policy was to privatise Telstra starting with an immediate sale of one third of the company. The two

principal Telstra Unions, the Communications Electrical and Plumbing Union (CEPU) and the Community and Public Sector Union (CPSU), argued against the privatisation of Telstra on the grounds it:

- ☐ was contrary to their members' interests;
- ☐ would not deliver any broad public benefits;
- ☐ would weaken local manufacturing industry;
- ☐ would put severe strains on Telstra's capacity to act as a vehicle for an egalitarian communications policy.

Their campaign had support from the Australian Labour Party and minority parties in parliament. A senate report also recommended that Telstra should not be privatised. However, all this could not prevent the sale of a third of Telstra in November 1997.

Unionists, community groups and Labour MPs again opposed conservative coalition parties government six months later when it wanted to sell the remaining 66% of Telstra. This pressure resulted in government having to promise a package of rural communications and environment measures worth Aus \$1-billion. It also promised to sell the shares in a number of stages.

The sale of the second lot of shares took place in October 1999, leaving the government 51% owners of Telstra. In early 2000, however, fears about further job losses in Telstra combined with doubts about the ability to maintain services to remote areas have produced another reaction against any further sales of the company. It now seems unlikely that government will sell more shares in this term of office.

Defeat in elections

Over the past few years, unions and community groups in Australia have

successfully communicated the reality of privatisation in lost jobs and declining services, particularly in rural areas. In late 1999, the coalition government in the state of Victoria, which had been the Australian government most aggressive in pursuing privatisation, was unexpectedly defeated.

The coalition lost seats in areas which had historically been the backbone of its support but which had suffered most from the privatisation programme. All of the Victorian unions contributed to the defeat, but none more so than the Australian Services Union (ASU) whose members had borne the brunt of the privatisation of electricity and the contracting out of local government services.

All the state's electricity generating facilities had been sold off to British and American energy TNCs between 1996 and 1997, and local councils were obliged to put up more than 50% of their services to tender with the private sector from the mid-1990s.

The ASU's immediate political strategy was to remove the coalition government and then to press for the overturning of the legislation which obliged councils to competitively tender for, or contract out services. This was achieved before the end of the year.

Industrial strategies

In other parts of the Asia Pacific where unions do not have direct links to democratic parties or governments, unions have successfully used strikes and other industrial strategies together with political campaigns against privatisation.

In the Indian state of Uttar Pradesh, for example, electricity workers, including the Electricity Workers' Federation of India (IEMS), have been taking strike action as part of a recent campaign against privatisation. The state government has now suspended plans to privatise the

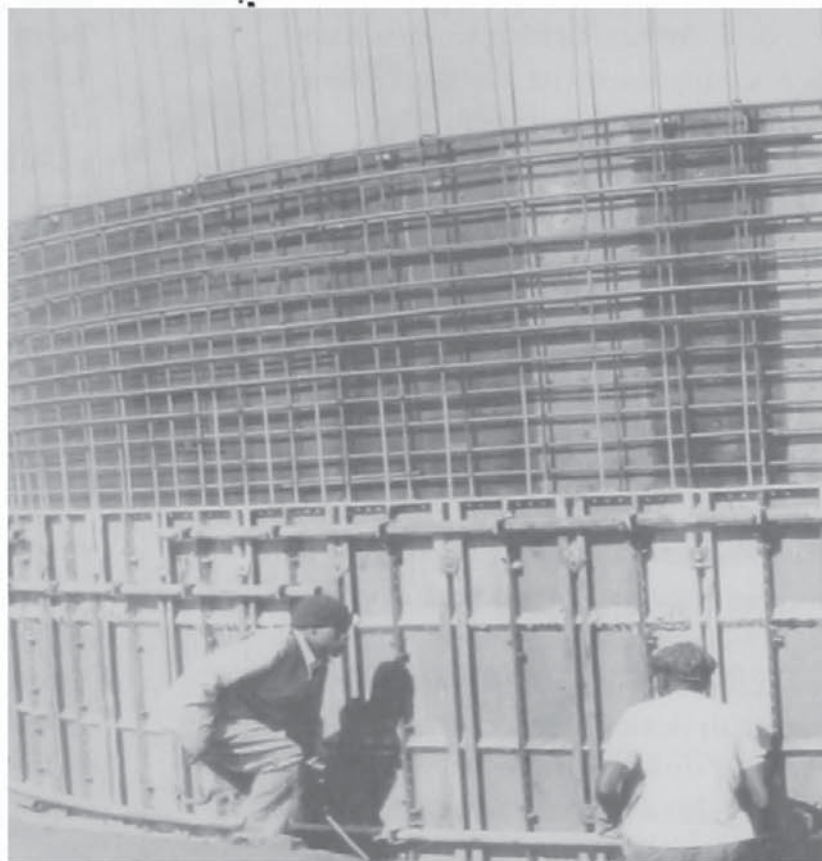
electricity industry in Uttar Pradesh. It has given assurances to workers that there will be no changes in jobs or job structures. It has also committed itself to investing in the pension trust and general provident fund. Government will release unconditionally workers who were jailed during the protest.

Even where industrial campaigns have not succeeded in halting privatisation, they have been fundamentally important in influencing how privatisation has taken place and, in particular, its impacts on workers.

The international evidence from around the Asia Pacific is that while privatisation always leads to job losses, and invariably puts pressure on wages and terms and conditions of employment, these effects are lessened when unions have some agreements which give protection to the jobs and conditions of existing workers who transfer to the new, private employer.

In some cases, governments have signed agreements giving employment protection to cover all workers affected by privatisation, as the Pakistani government did in 1991 in an agreement with the All Pakistan State Enterprises Workers' Action Committee.

More widespread in the Asia Pacific have been commitments or agreements covering specific privatisation initiatives such as those in the two largest water privatisations in the Asia Pacific, the contracting out of water in Adelaide in South Australia and Manila Water Services System (MWSS) in the Philippines. In each case, industrial organisation and campaigns have been essential to obtain the



The PSI monitor the effects of water utility privatisation.

agreements and protection, but continuing organisation has proved fundamental to ensuring that the employers or governments honour agreements once privatisation has occurred.

Legal strategies

Unions have also used legal strategies to protect members' jobs or conditions where services have been contracted out. However, developing such a strategy depends upon the existence of a legal framework of industrial relations which gives general union rights and specific rights of employment protection.

Public sector unions in Australia have looked with envy at the protection the law gives to workers in the European Union countries. The Acquired Rights Directive gives rights of continuation of employment, union recognition, and maintenance of terms and conditions

when an activity or enterprise is acquired by a new owner. British unions have successfully used the British version of this legislation, the Transfer of Undertakings Protection of Employment (TUPE) regulations, to protect members whose jobs have been contracted out. The ASU tried to achieve the same thing for its members in Victoria who were affected by the contracting out of local council services. It applied to the Industrial Relations Commission (the Australian court with jurisdiction over industrial relations matters) to amend the legally binding national Award which covered all employees in local government. The case was put on hold in 1996 because of a change in national government and resulting unsupportive amendments to the federal Industrial Relations Legislation. However, unions in health, financial services and telecommunications pursued three separate cases through the Australian courts. They argued that a specific clause in the new legislation required that where services were contracted out, the existing industrial agreements covering terms and conditions of employment and union rights were also 'transmitted' - that is carried over. In late 1999, each case reached the High Court. The High Court made three rulings in the unions' favour on the main issues, including the obligation to carry over employment and conditions.

Alternatives to privatisation

A recent example from Korea (with an anti-union government) shows how the development of an alternative detailed model for a company can be used successfully to oppose privatisation. The Korean government has been pushing for extensive privatisation as part of agreements signed with international financial agencies, including the IMF; in

return for financial support. Unions have been struggling with the effects of these Structural Adjustment Programmes and their active opposition has seen government imprison many union leaders. This is the context in which the Korean Heavy Industries Workers Union prepared its alternative to the government's plan to sell the state-owned Korean Heavy Industries. The enterprise manufactures heavy machinery for power generation and ships' engines. After the financial collapse of 1997, government's restructuring plan involved combining the heavy engineering sections of the two ailing Korean TNCs, Hyundai and Samsung, into Korean Heavy Industries. The combined company was to be completely privatised by sales of shares to Hyundai and Samsung plus overseas TNCs such as ABB and Siemens. The enterprise-based union prepared an alternative plan to:

- ☐ commit the government to retain 40% of the shares;
- ☐ give a further 20% to workers through an Employee Share Ownership Scheme;
- ☐ limit any potential foreign ownership to a minority.

After 48 days of strikes, government accepted the union alternative.

The union attributes its success to a combination of:

- ☐ strong union organisation in the workplace;
- ☐ strong leadership in the workplace;
- ☐ a campaign to build up community support in an area where the government has major concerns about its electoral support;
- ☐ the union's ability to come up with a viable alternative model. ★

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